

# *This week in the Legislature*

*An update from State Senator Robert Garton*



INDIANAPOLIS -- In the next few days, members of the Indiana Senate will vote on a tax restructuring plan unveiled Feb. 19 by Senate Finance Committee Chairman Lawrence Borst (R-Greenwood). The plan, "Forward Indiana," is aimed at turning around Indiana's stagnant job market and preventing double-digit property tax increases in 2003.

In this column, I will explain the main components of the Borst plan. You can decide for yourself whether you agree or disagree with the plan.

The plan does not include the revenue increases requested by Gov. Frank O'Bannon for the state budget. First of all, at a time when Hoosier families are cutting back and postponing expenses, we cannot ask taxpayers to give more of their paychecks to the state. Secondly, the governor, as chief executive officer of the state, can use the broad authority granted him by the Constitution to manage state finances through the current budget cycle.

Some taxes are cut and some taxes are raised under Sen. Borst's plan; however, the bottom line is that no new revenue would be generated for state government to spend.

The primary goal of Forward Indiana is to get the state economy moving by making Indiana a more attractive place for businesses to expand and create jobs. Indiana offers an ideal geographic location for business, but for some potential Indiana employers that advantage is canceled-out by our outdated tax policies.

Under Sen. Borst's plan, two local property taxes paid by businesses – the inventory tax and the business personal property tax – would be eliminated by establishing state tax credits equal to the amount of local taxes paid. The 5 percent research and development tax credit would be doubled to 10 percent. To replace the revenue, the proposal creates a business supplemental tax of 1.5 percent of adjusted gross income and an employer payroll tax of 1.3 percent of payroll.

In addition, all property owners – individuals and businesses – would see property tax cuts averaging nearly 30 percent as a result of the state assuming 100 percent of the funding for local schools' operating budgets. In the Borst plan, this would be accomplished by eliminating the school general fund property tax, the revenue from which pays salaries, utility bills and other school operating expenses.

Forward Indiana creates a new Education Rainy Day Fund projected to accumulate \$329 million by June 30, 2005 (and continue to grow year after year). The money would be set aside to provide a back-up source of funding for schools in the event that state resources were scarce.

Homeowners also would benefit from a permanent and automatic \$25,000 assessment reduction, a permanent 10 percent state-funded homestead credit and an increase of 15 percent in the state-funded Property Tax Replacement Credit.

Taking into account the average property tax increase anticipated to result next year from reassessment, Forward Indiana would cut homeowners' property taxes by 57 percent to 62 percent on average, according to Borst. Property taxes on farmland would be cut by a statewide average of 41 percent from current levels. (Using an "average" is necessary because local property tax rates vary widely from county to county, and even within a county.)

How is all of this possible? These tax cuts would be replaced by an increase in the state sales tax from 5 percent to 6 percent. Additionally, the plan includes raising the individual income tax from 3.4 percent to 3.6 percent and increasing the cigarette tax from 15.5 cents per pack to 55 cents per pack.

Legalized gambling also would contribute its share via a higher riverboat casino wagering tax (paid by the riverboats) and higher riverboat admission tax (paid by patrons).

This is not a deficit-reduction plan to bail the state out of the fiscal mess brought on by the slow economy, overspending, mismanagement, and the administration's unwillingness to cut or delay expenses.

Forward Indiana also includes a state spending cap – a limit on future increases in state spending. The spending cap would help to prevent the kind of excessive spending which has caused the state's current budget squeeze.

Describing his plan, Sen. Borst said, "It is structured so that the individual taxpayer does not subsidize the savings for the business community, nor does the business community subsidize the savings for the homeowner."

To share your opinion on Sen. Borst's "Forward Indiana" plan, please call my Statehouse office at 1-800-382-9467 or (317) 232-9400.

# Questions or concerns on pending legislation? Contact your Senator!

Call: 1-800-382-9467 or 317-232-9400



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